

BEFORE THE  
CALIFORNIA BOARD OF ACCOUNTANCY  
DEPARTMENT OF CONSUMER AFFAIRS  
STATE OF CALIFORNIA

In the Matter of the Accusation Against:

**LARRY EDWARD MANTH**  
2921 Via Alvarado  
Palos Verdes Estates, California 90274  
Certified Public Accountant Certificate No.  
CPA 58503

Respondent.

Case No. AC-2010-14

OAH No. 2011-01-0415

**DECISION AND ORDER**


The attached Stipulated Settlement and Disciplinary Order is hereby adopted by the California Board of Accountancy, Department of Consumer Affairs, as its Decision in this matter.

This Decision shall become effective on

April 30, 2011

It is so ORDERED

March 30, 2011

  
\_\_\_\_\_  
FOR THE CALIFORNIA BOARD OF  
ACCOUNTANCY  
DEPARTMENT OF CONSUMER AFFAIRS

1 KAMALA D. HARRIS  
Attorney General of California  
2 ALFREDO TERRAZAS  
Senior Assistant Attorney General  
3 DIANN SOKOLOFF  
Supervising Deputy Attorney General  
4 State Bar No. 161082  
1515 Clay Street, 20th Floor  
5 P.O. Box 70550  
Oakland, CA 94612-0550  
6 Telephone: (510) 622-2212  
Facsimile: (510) 622-2270  
7 *Attorneys for Complainant*

8 **BEFORE THE**  
**CALIFORNIA BOARD OF ACCOUNTANCY**  
9 **DEPARTMENT OF CONSUMER AFFAIRS**  
10 **STATE OF CALIFORNIA**

11 In the Matter of the Accusation Against:

Case No. AC-2010-14

12 **LARRY EDWARD MANTH**  
2921 Via Alvarado  
13 Palos Verdes Estates, California 90274  
Certified Public Accountant Certificate No.  
14 CPA 58503

OAH No. 2011-01-0415  
**STIPULATED SETTLEMENT AND  
DISCIPLINARY ORDER**

15 Respondent.

16  
17  
18 In the interest of a prompt and speedy settlement of this matter, consistent with the public  
19 interest and the responsibility of the California Board of Accountancy of the Department of  
20 Consumer Affairs, the parties hereby agree to the following Stipulated Settlement and  
21 Disciplinary Order which will be submitted to the Board for approval and adoption as the final  
22 disposition of the Accusation No. AC-2010-14, relating to the Certified Public Accountant  
23 Certificate of Respondent Larry Edward Manth.

24 **PARTIES**

25 1. Patti Bowers (Complainant) is the Executive Officer of the California Board of  
26 Accountancy. She brought this action solely in her official capacity and is represented in this  
27 matter by Kamala D. Harris, Attorney General of the State of California, by Diann Sokoloff,  
28 Supervising Deputy Attorney General.

2. Respondent Larry Edward Manth (Respondent) is represented in this proceeding by attorney Edward O. Lear, whose address is: Century Law Group LLP, 5200 W. Century Boulevard, Ste. 345, Los Angeles, CA 90045

3. On or about March 23, 1991, the California Board of Accountancy issued Certified Public Accountant Certificate No. CPA 58503 to Larry Edward Manth (Respondent). The Certified Public Accountant Certificate will expire on March 31, 2012, unless renewed. The Certificate has not been the subject of prior Board discipline.

#### JURISDICTION

4. Accusation No. AC-2010-14 was filed before the California Board of Accountancy (Board), Department of Consumer Affairs, and is currently pending against Respondent. The Accusation and all other statutorily required documents were properly served on Respondent on February 19, 2010. Respondent timely filed his Notice of Defense contesting the Accusation. A copy of Accusation No. AC-2010-14 is attached as Exhibit A and incorporated by reference.

#### WAIVERS AND CONTINGENCY

5. Respondent has carefully read, fully discussed with counsel, and understands the charges and allegations in Accusation No. AC-2010-14. Respondent has also carefully read, fully discussed with counsel, and understands the effects of this Stipulated Settlement and Disciplinary Order.

6. Respondent is fully aware of his legal rights in this matter, including the right to a hearing on the charges and allegations in the Accusation; the right to be represented by counsel at his own expense; the right to confront and cross-examine the witnesses against him; the right to present evidence and to testify on his own behalf; the right to the issuance of subpoenas to compel the attendance of witnesses and the production of documents; the right to reconsideration and court review of an adverse decision; and all other rights accorded by the California Administrative Procedure Act and other applicable laws. Respondent voluntarily, knowingly, and intelligently waives and gives up each and every right set forth above.

7. It is understood that in signing this stipulation rather than further contesting the Accusation, Respondent is voluntarily consenting to the adoption of this Stipulated Settlement as

1 the Board's Decision, enabling the California Board of Accountancy to issue the following order  
2 without further legal process. Respondent represents that no tender, offer, promises, threats or  
3 inducements of any kind whatsoever have been made by the Board or any member, officer, agent  
4 or representative thereof in consideration of this settlement offer or otherwise to induce him to so  
5 consent.

6 8. This stipulation shall be subject to approval by the Board. Respondent understands  
7 and agrees that Complainant, her counsel and the staff of the Board may communicate directly  
8 with the Board regarding this stipulation and settlement, without notice to or participation by  
9 Respondent or his counsel. By signing the stipulation, Respondent understands and agrees that he  
10 may not withdraw his agreement or seek to rescind the stipulation prior to the time the Board  
11 considers and acts upon it.

12 9. If the Board fails to adopt this stipulation as its Decision and Order, the Stipulated  
13 Settlement and Disciplinary Order shall be withdrawn. It shall be of no force or effect, except for  
14 this paragraph. It shall have no evidentiary value, shall be inadmissible in any legal action  
15 between the parties, and shall not be relied upon or introduced in any disciplinary, or other, action  
16 or proceeding by either party hereto. In the event that the Stipulated Settlement is not adopted,  
17 nothing recited herein shall be construed as a waiver of Respondent's right to a hearing or as an  
18 admission of the truth of any of the matters charged. Communications pursuant to this paragraph,  
19 and consideration of this matter, shall not disqualify the Board or other persons from future  
20 participation in this or any other matter affecting Respondent. Respondent agrees that should the  
21 Board reject this Stipulated Settlement and if this case proceeds to hearing, Respondent will assert  
22 no claim that the Board was prejudiced by its review and discussion of this Stipulation or of any  
23 records related hereto.

24 **ADMISSIONS AND FURTHER STIPULATIONS BETWEEN THE PARTIES**

25 10. Respondent admits the matters asserted in paragraphs 36, 37, 39 and 43 in Accusation  
26 No. AC-2010-14, if proven at hearing, would form a basis for discipline of his Certified Public  
27 Accountant Certificate. Respondent expressly denies the matters asserted in paragraphs 32, 33,  
28 34, 35, 38, 40, 41, 42, 44, 45 and 46.

11. Respondent agrees that his Certified Public Accountant Certificate is subject to discipline and he agrees to be bound by the California Board of Accountancy (Board)'s probationary terms as set forth in the Disciplinary Order below.

12. Respondent further agrees not to take any action or make any public statement that creates, or tends to create, the impression that any of the matters set forth in the Stipulated Settlement, Order and Decision are without a factual basis.

13. The Board, in accepting this Stipulation, is foregoing its right to institute further disciplinary proceedings against Respondent based upon his conduct related to tax shelters up to the time of the filing of the Board's charges. However, the Board reserves the right to initiate or continue investigations and administrative proceedings related to the conduct of other Board licensees who may have been involved in acts or omissions related to these or other tax shelters, as well as any other violations of the Accountancy Act which may have occurred by Board licensees in relation to tax shelters.

14. The parties understand and agree that facsimile copies of this Stipulated Settlement and Disciplinary Order, including facsimile signatures thereto, shall have the same force and effect as the originals.

15. This Stipulated Settlement and Disciplinary Order is intended by the parties to be an integrated writing representing the complete, final, and exclusive embodiment of their agreement. It supersedes any and all prior or contemporaneous agreements, understandings, discussions, negotiations, and commitments (written or oral). This Stipulated Settlement and Disciplinary Order may not be altered, amended, modified, supplemented, or otherwise changed except by a writing executed by an authorized representative of each of the parties.

16. In consideration of the foregoing admissions and stipulations, the parties agree that the Board may, without further notice or formal proceeding, issue and enter the following Disciplinary Order:

## DISCIPLINARY ORDER

IT IS HEREBY ORDERED that Certified Public Accountant Certificate No. CPA 58503 issued to Respondent Larry Edward Manth (Respondent) is revoked. However, the revocation is

1 stayed and Respondent is placed on probation for five (5) years on the following terms and  
2 conditions.

3 1. **Actual Suspension.** Certified Public Accountant Certificate No. CPA 58503 issued  
4 to Larry Edward Manth is suspended for two (2) years. During the period of suspension the  
5 Respondent shall engage in no activities for which certification as a Certified Public Accountant  
6 or Public Accountant is required as described in Business and Professions Code, Division 3,  
7 Chapter 1, Section 5051. Notwithstanding the suspension, Respondent shall comply with the  
8 probationary conditions set forth below.

9 2. **Obey All Laws.** Respondent shall obey all federal, California, other states' and local  
10 laws, including those rules relating to the practice of public accountancy in California.

11 3. **Submit Written Reports.** Respondent shall submit, within ten (10) days of  
12 completion of the quarter, written reports to the Board on a form obtained from the Board. The  
13 Respondent shall submit, under penalty of perjury, such other written reports, declarations, and  
14 verification of actions as are required. These declarations shall contain statements relative to  
15 Respondent's compliance with all the terms and conditions of probation. Respondent shall  
16 immediately execute all release of information forms as may be required by the Board or its  
17 representatives.

18 4. **Personal Appearances.** Respondent shall, during the period of probation, appear in  
19 person at interviews/meetings as directed by the Board or its designated representatives, provided  
20 such notification is accomplished in a timely manner.

21 5. **Comply With Probation.** Respondent shall fully comply with the terms and  
22 conditions of the probation imposed by the Board and shall cooperate fully with representatives  
23 of the Board of Accountancy in its monitoring and investigation of the Respondent's compliance  
24 with probation terms and conditions. Respondent shall keep the Board informed regarding how  
25 to contact him as required by the Board or its designees. Respondent voluntarily agrees to fully  
26 cooperate with, and make himself available to, the Board and its designees, including the Office  
27 of the Attorney General, without the necessity of a subpoena, in any investigation of other Board  
28 licensees regarding tax shelters, including, but not limited to, the providing of interviews,

1 statements, affidavits, declarations, and any other documents or other types of information  
2 requested, consistent with the requirements of confidentiality and law. Respondent, if called to  
3 do so, shall cooperate with the Board and shall testify at any subsequent administrative or civil  
4 proceeding if asked to do so by the Board.

5       **6. Practice Investigation.** Respondent shall be subject to, and shall permit, one or more  
6 practice investigations of the Respondent's professional practice. Such a practice investigation  
7 shall be conducted by representatives of the Board, provided notification of such review is  
8 accomplished in a timely manner. However, no notice shall be required if the purpose of the  
9 Board's investigation is to determine whether Respondent is in compliance with the order of  
10 suspension.

11       **7. Comply With Citations.** Respondent shall comply with all final orders resulting  
12 from citations issued by the Board of Accountancy.

13       **8. Tolling of Probation For Out-of-State Residence/Practice.** In the event  
14 Respondent should leave California to reside or practice outside this state, Respondent must  
15 notify the Board in writing of the dates of departure and return. Periods of non-California  
16 residency or practice outside the state shall not apply to reduction of the probationary period, or  
17 of any suspension. No obligation imposed herein, including requirements to file written reports,  
18 reimburse the Board costs, or make restitution to consumers, shall be suspended or otherwise  
19 affected by such periods of out-of-state residency or practice except at the written direction of the  
20 Board.

21       **9. Violation of Probation.** If Respondent violates probation in any respect, the Board,  
22 after giving Respondent notice and an opportunity to be heard, may revoke probation and carry  
23 out the disciplinary order that was stayed. If an accusation or a petition to revoke probation is  
24 filed against Respondent during probation, the Board shall have continuing jurisdiction until the  
25 matter is final, and the period of probation shall be extended until the matter is final.

26       **10. Completion of Probation.** Failure to complete the probationary requirements shall  
27 automatically extend the period of probation and the Board shall have continuing jurisdiction of  
28 this matter until the condition is satisfied.

11. **Ethics Course/Examination.** Respondent shall complete four hours of continuing education in course subject matter pertaining to the following: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations (within a give period of time or prior to resumption of practice). Courses must be a minimum of one hour as described in California Code of Regulations Section 88.2, (Courses will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)

If respondent fails to complete said courses within the time period provided, respondent shall so notify the Board and shall cease practice until respondent completes said courses, has submitted proof of same to the Board, and has been notified by the Board that he may resume practice. Failure to complete the required courses no later than 100 days prior to the termination of probation shall constitute a violation of probation.

12. **Cost Reimbursement.** Respondent shall reimburse the Board for its actual investigation and prosecution costs in the amount not to exceed \$25,000. The reimbursement shall be made in quarterly payments and shall be completed within three years from the effective date of the decision in this matter, unless otherwise agreed in writing by the Board or its designees.

13. **Administrative Fine.** Respondent shall pay to the Board an administrative fine in the amount of \$10,000. The payment shall be made within three months of the effective date of the decision in this matter.

///

ACCEPTANCE

I have carefully read the above Stipulated Settlement and Disciplinary Order and have communicated with my attorney, Edward O. Lear. I understand the stipulation and the effect it will have on my Certified Public Accountant Certificate. I enter into this Stipulated Settlement



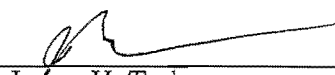
1 and Disciplinary Order voluntarily, knowingly, and intelligently, and agree to be bound by the  
2 Decision and Order of the California Board of Accountancy.

3 DATED: 3/2/11

  
4 LARRY EDWARD MANTH  
Respondent

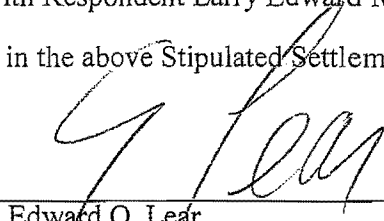
5 I have read and fully discussed with Respondent Larry Edward Manth the terms and  
6 conditions and other matters contained in the above Stipulated Settlement and Disciplinary Order.  
7 I approve its form and content.

8 DATED: 3/4/11

  
9 James H. Turken  
Dickstein Shapiro LLP  
Attorney for Respondent

10 I have read and communicated with Respondent Larry Edward Manth the terms and  
11 conditions and other matters contained in the above Stipulated Settlement and Disciplinary Order.  
12 I approve its form and content.

13 DATED: 3/3/11

  
14 Edward O. Lear  
Attorney for Respondent

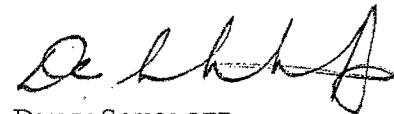
15  
16 ENDORSEMENT

17 The foregoing Stipulated Settlement and Disciplinary Order is hereby respectfully  
18 submitted for consideration by the California Board of Accountancy of the Department of  
19 Consumer Affairs.

20 Dated: ~~February~~ <sup>March</sup> 7, 2011

21 Respectfully submitted,

22 KAMALA D. HARRIS  
Attorney General of California  
23 ALFREDO TERRAZAS  
Senior Assistant Attorney General

  
24 DIANN SOKOLOFF  
25 Supervising Deputy Attorney General  
26 Attorneys for Complainant

27 SF2009405498  
28 90180018.doc

**Exhibit A**

**Accusation No. AC-2010-14**

1 EDMUND G. BROWN JR.  
Attorney General of California  
2 WILBERT E. BENNETT  
Supervising Deputy Attorney General  
3 DIANN SOKOLOFF  
Deputy Attorney General  
4 State Bar No. 161082  
1515 Clay Street, 20th Floor  
5 P.O. Box 70550  
Oakland, CA 94612-0550  
6 Telephone: (510) 622-2212  
Facsimile: (510) 622-2270  
7 E-mail: Diann.Sokoloff@doj.ca.gov  
*Attorneys for Complainant*

8  
9 **BEFORE THE**  
**CALIFORNIA BOARD OF ACCOUNTANCY**  
**DEPARTMENT OF CONSUMER AFFAIRS**  
10 **STATE OF CALIFORNIA**

11 In the Matter of the Accusation Against:

Case No. AC-2010-14

12 **LARRY EDWARD MANTH**  
2921 Via Alvarado  
13 Palos Verdes Estates, CA 90274

**A C C U S A T I O N**

14 **Certified Public Accountant Certificate No.**  
**CPA 58503**

15 Respondent.

16 Complainant alleges:

17 **PARTIES**

18 1. Patti Bowers (Complainant) brings this Accusation solely in her official capacity as  
19 the Executive Officer of the California Board of Accountancy, Department of Consumer Affairs.

20 2. On or about March 23, 1991, the California Board of Accountancy issued Certified  
21 Public Accountant Certificate Number CPA 58503 to Larry Edward Manth (Respondent). The  
22 Certified Public Accountant Certificate, currently inactive, will expire on April 1, 2010, unless  
23 renewed.

24 **JURISDICTION**

25 3. This Accusation is brought before the California Board of Accountancy (Board),  
26 Department of Consumer Affairs, under the authority of Section 5100 of the Business and  
27 Professions Code, which provides, in relevant part, that, after notice and hearing, the Board may  
28

1 revoke, suspend or refuse to renew any permit or certificate granted for unprofessional conduct  
2 which includes, but is not limited to, one or any combination of the causes specified therein,  
3 including willful violations of the Accountancy Act and willful violations of rules and regulations  
4 promulgated by the Board.

5 4. Business and Professions Code<sup>1</sup> Sections 118(b) and 5109 provide in pertinent part  
6 that the suspension, expiration, cancellation, or forfeiture of a license issued by the Board shall  
7 not deprive the Board of its authority to investigate, or to institute or continue a disciplinary  
8 proceeding against a licensee upon any ground provided by law, or to enter an order suspending  
9 or revoking the license or otherwise taking disciplinary action against the licensee on any such  
10 ground.

### 11 **STATUTORY AND REGULATORY PROVISIONS**

12 5. Section 5100 states:

13 "After notice and hearing the board may revoke, suspend, or refuse to renew any  
14 permit or certificate granted under Article 4 (commencing with Section 5070) and Article 5  
15 (commencing with Section 5080), or may censure the holder of that permit or certificate for  
16 unprofessional conduct that includes, but is not limited to, one or any combination of the  
17 following causes:

18 ...

19 "(c) Dishonesty, fraud, gross negligence, or repeated negligent acts committed in the  
20 same or different engagements, for the same or different clients, or any combination of  
21 engagements or clients, each resulting in a violation of applicable professional standards that  
22 indicate a lack of competency in the practice of public accountancy or in the performance of the  
23 bookkeeping operations described in Section 5052."

24 ...

25 "(g) Willful violation of this chapter or any rule or regulation promulgated by the  
26 board under the authority granted under this chapter."

---

27 <sup>1</sup> All statutory references are to the Business and Professions Code unless otherwise  
28 indicated.

1 ...  
2 "(i) Fiscal dishonesty or breach of fiduciary responsibility of any kind."

3 "(j) Knowing preparation, publication, or dissemination of false, fraudulent, or  
4 materially misleading financial statements, reports, or information."

5 "(k) Embezzlement, theft, misappropriation of funds or property, or obtaining  
6 money, property, or other valuable consideration by fraudulent means or false pretenses."

7 6. Licensees are required by Title 16, California Code of Regulations, Article 1, Board  
8 Rule 5 to comply with all Board rules, including Title 16, California Code of Regulations, Article  
9 9, Board Rule 58, which provides that licensees engaged in the practice of public accountancy  
10 shall comply with all applicable professional standards.

11 7. Business and Professions Code section 125 provides, in pertinent part, that any  
12 licensee is guilty of a misdemeanor and subject to the disciplinary provisions of this code  
13 applicable to him, who conspires with a non-licensee to violate any provision of this code.

14 **APPLICABLE PROFESSIONAL STANDARDS**

15 8. Professional standards or standards of practice pertinent<sup>2</sup> to this Accusation include,  
16 without limitation:

17 A. Title 31, Part 10 of Internal Revenue Service (IRS) Regulations (31 CFR 10)<sup>3</sup>  
18 including:

19 (1) Section 10.21 (Knowledge of Client's Omission), provides that:

20 "[a] practitioner who, having been retained by a client with respect to a matter  
21 administered by the Internal Revenue Service, knows that the client has not  
22 complied with the revenue laws of the United States or has made an error or  
23 omission from any return, document, affidavit, or other paper which the client  
24 submitted or executed under the revenue laws of the United States, must advise the  
25 client promptly of the fact of such noncompliance, error, or omission. The  
26 practitioner must advise the client of the consequences as provided under the Code  
27 and regulations of such noncompliance, error, or omission."

28 (2) Section 10.22(a) (Diligence as to Accuracy), provides that, in

26 <sup>2</sup> All references herein to standards and other authoritative literature are to the versions in  
27 effect at the time the shelters were being developed, marketed or sold.

28 <sup>3</sup> 31 CFR 10 is also referred to as "Circular 230" or Section 10 of the IRS Regulations.  
Among other things, Circular 230 governs practice by CPAs before the IRS.

1 general, a practitioner must exercise due diligence:

2  
3 “(1) In preparing or assisting in the preparation of, approving, and filing tax  
4 returns, documents, affidavits, and other papers relating to Internal Revenue  
5 Service matters;

6  
7 (2) In determining the correctness of oral or written representations made by the  
8 practitioner to the Department of the Treasury; and

9  
10 (3) In determining the correctness of oral or written representations made by the  
11 practitioner to clients with reference to any matter administered by the Internal  
12 Revenue Service.”

13  
14 (3) Section 10.30 (Solicitation), provides that a practitioner may not, with  
15 respect to any Internal Revenue Service matter, in any way use or participate in the use of any  
16 form of public communication or private solicitation containing a false, fraudulent, or coercive  
17 statement or claim; or a misleading or deceptive statement or claim.

18  
19 (4) Section 10.34 (Standards for Advising with Respect to Tax Return Positions  
20 and for Preparing or Signing Returns), provides that a practitioner may not sign a tax return as a  
21 preparer if the practitioner determines that the tax return contains a position that does not have a  
22 realistic possibility of being sustained on its merits (the “realistic possibility standard”) unless the  
23 position is not frivolous and is adequately disclosed to the Internal Revenue Service.

24  
25 B. American Institute of Certified Public Accountants (AICPA) Code of  
26 Professional Conduct, includes Section I - Principles and Section II - Rules. Both the Principles  
27 (Articles III and VI) and the Rules are relevant to the allegations herein.

28  
29 (1) Rule 102 (Integrity and Objectivity), provides that:

30  
31 “In the performance of any professional service, a member shall maintain objectivity  
32 and integrity, shall be free of conflicts of interest, and shall not knowingly misrepresent facts or  
33 subordinate his or her judgment to others.”

34  
35 (2) Rule 102.2 (Conflicts of Interest), provides that:

36  
37 “A member shall be considered to have knowingly misrepresented facts in violation of rule  
38 102. . . when he or she knowingly—

1 a. Makes, or permits or directs another to make, materially false and  
2 misleading entries in an entity's financial statements or records; or

3 b. Fails to correct an entity's financial statements or records that are  
4 materially false and misleading when he or she has the authority to record an entry; or

5 c. Signs, or permits or directs another to sign, a document containing  
6 materially false and misleading information."

7 (3) Rule 102-4 (Subordination of Judgment by a Member), provides that:

8 "Rule 102 [ET section 102.01] prohibits a member from knowingly misrepresenting facts  
9 or subordinating his or her judgment when performing professional services. Under this rule, if a  
10 member and his or her supervisor have a disagreement or dispute relating to the preparation of  
11 financial statements or the recording of transactions, the member should take the following steps  
12 to ensure that the situation does not constitute a subordination of judgment:

13 "1. The member should consider whether (a) the entry or the failure to record  
14 a transaction in the records, or (b) the financial statement presentation or the nature or omission of  
15 disclosure in the financial statements, as proposed by the supervisor, represents the use of an  
16 acceptable alternative and does not materially misrepresent the facts. If, after appropriate research  
17 or consultation, the member concludes that the matter has authoritative support and/or does not  
18 result in a material misrepresentation, the member need do nothing further.

19 2. If the member concludes that the financial statements or records could be  
20 materially misstated, the member should make his or her concerns known to the appropriate  
21 higher level(s) of management within the organization (for example, the supervisor's immediate  
22 superior, senior management, the audit committee or equivalent, the board of directors, the  
23 company's owners). The member should consider documenting his or her understanding of the  
24 facts, the accounting principles involved, the application of those principles to the facts, and the  
25 parties with whom these matters were discussed.

26 3. If, after discussing his or her concerns with the appropriate person(s) in  
27 the organization, the member concludes that appropriate action was not taken, he or she should  
28 consider his or her continuing relationship with the employer. The member also should consider

1 any responsibility that may exist to communicate to third parties, such as regulatory authorities or  
2 the employer's (former employer's) external accountant. In this connection, the member may wish  
3 to consult with his or her legal counsel.

4 4. The member should at all times be cognizant of his or her obligations  
5 under interpretation 102-3 [ET section 102.04].”

6 (4) Rule 201 (General Standards), provides that:

7 “A member shall comply with the following standards and with any interpretations thereof  
8 by bodies designated by Council.

9 A. Professional Competence. Undertake only those professional services that  
10 the member or the member's firm can reasonably expect to be completed with professional  
11 competence.

12 B. Due Professional Care. Exercise due professional care in the performance  
13 of professional services.

14 C. Planning and Supervision. Adequately plan and supervise the performance  
15 of professional services.

16 D. Sufficient Relevant Data. Obtain sufficient relevant data to afford a  
17 reasonable basis for conclusions or recommendations in relation to any professional services  
18 performed.”

19 (5) Rule 202 (Compliance With Standards), provides that:

20 “A member who performs auditing, review, compilation, management consulting, tax, or  
21 other professional services shall comply with standards promulgated by bodies designated by  
22 Council.”

23 (6) Rule 501 (Discreditable Acts), provides that:

24 “A member shall not commit an act discreditable to the profession.”

25 (7) Rule 501-4 (Negligence in the Preparation of Financial Statements or  
26 Records), provides that:



1       “A member shall be considered to have committed an act discreditable to the profession in  
2 violation of rule 501 [ET section 501.01] when, by virtue of his or her negligence, such  
3 member—

4                   a.     Makes, or permits or directs another to make, materially false and  
5 misleading entries in the financial statements or records of an entity; or

6                   b.     Fails to correct an entity’s financial statements that are materially  
7 false and misleading when the member has the authority to record an entry; or

8                   c.     Signs, or permits or directs another to sign, a document containing  
9 materially false and misleading information.”

10               (8)   Rule 502 (Advertising and Other Forms of Solicitation), provides that: “A  
11 member in public practice shall not seek to obtain clients by advertising or other forms of  
12 solicitation in a manner that is false, misleading, or deceptive. Solicitation by the use of coercion,  
13 over-reaching, or harassing conduct is prohibited.”

14               (9)   Rule 502-2 (False, Misleading or Deceptive Acts in Advertising or  
15 Solicitation), provides that:

16               “Advertising or other forms of solicitation that are false, misleading, or deceptive are not in  
17 the public interest and are prohibited. Such activities include those that—

18                   1.   Create false or unjustified expectations of favorable results.

19                   2.   Imply the ability to influence any court, tribunal, regulatory agency, or  
20 similar body or official.

21                   3.   Contain a representation that specific professional services in current  
22 or future periods will be performed for a stated fee, estimated fee or fee range when it was likely  
23 at the time of the representation that such fees would be substantially increased and the  
24 prospective client was not advised of that likelihood.

25                   4.   Contain any other representations that would be likely to cause a  
26 reasonable person to misunderstand or be deceived.”

1 C. AICPA Statements on Standards for Tax Services<sup>4</sup>, including:

2 (1.) TS Section 100 - Tax Return Positions.

3 (2.) TS Section 600 - Knowledge of Error: Return Preparation.

4 (3.) TS Section 800 - Form and Content of Advice to Tax Payers.

5 D. The Internal Revenue Code, including:

6 “(1) 26 U.S.C. §6111 (Section 6111), which governs the registration of tax  
7 shelters.

8 (2) 26 U.S.C. §6112 (Section 6112), which imposes certain obligations on the  
9 organizer or seller of a “potentially abusive tax shelter.”

### 10 COST RECOVERY

11 9. Code Section 5107(a) provides, in pertinent part, that the Executive Officer of the  
12 Board may request the administrative law judge, as part of the proposed decision in a disciplinary  
13 proceeding, to direct any holder of a permit or certificate found to have committed a violation or  
14 violations of the Accountancy Act to pay to the Board all reasonable costs of investigation and  
15 prosecution of the case, including, but not limited to, attorneys' fees incurred prior to the  
16 commencement of the hearing. A certified copy of the actual costs, or a good faith estimate of  
17 costs signed by the Executive Officer, constitutes prima facie evidence of reasonable costs of  
18 investigation and prosecution of the case.

### 19 PUBLIC PROTECTION

20 10. Code Section 5000.1 provides, as follows: “Protection of the public shall be the  
21 highest priority for the California Board of Accountancy in exercising its licensing, regulatory,  
22 and disciplinary functions. Whenever the protection of the public is inconsistent with other  
23 interests sought to be promoted, the protection of the public shall be paramount.”

### 24 FACTUAL BACKGROUND

25 11. The subject matter of this Accusation is Respondent's participation in the  
26 development, promotion, and implementation of certain tax shelter schemes by himself and other

27 <sup>4</sup> The AICPA *Statements on Standards for Tax Services*, are codified as “TS” with section  
28 numbers, e.g., TS Section 100.

1 KPMG<sup>5</sup> personnel, including senior partners and members of top management, which assisted  
2 high net worth United States citizens to evade United States individual income taxes on billions of  
3 dollars in capital gain and ordinary income through the use of unregistered and fraudulent tax  
4 shelters.<sup>6, 7</sup>

5 12. Respondent joined KPMG LLP<sup>8</sup> as a partner on or about October 4, 1999 and worked  
6 in the Los Angeles Office. Within months of his hire, he began the development of the SC2 tax  
7 shelter strategy and, within KPMG, served as the National Development Champion and the  
8 National Deployment Champion for that strategy.

9 13. Board Case No. AC-2006-28, filed against KPMG, incorporated the Statement of  
10 Facts attached to the Deferred Prosecution Agreement ("DPA") which KPMG entered with the  
11 federal government, in or about August 26, 2005. In resolving Case No. AC-2006-28 with the  
12 Board, KPMG admitted and accepted that, as set forth in detail in the Statement of Facts attached  
13 to the DPA (which was incorporated into Accusation AC-2006-28),  
14

15 <sup>5</sup> At all times relevant to this Accusation, KPMG was a limited liability partnership  
16 headquartered in New York, New York, with more than 90 offices nationwide, of which several  
17 are in California. Among the California KPMG offices during the time period relevant herein  
18 were offices in Los Angeles, Woodland Hills, San Diego, San Francisco, and Walnut Creek.  
19 KPMG was one of the largest auditing firms in the world, providing audit services to many of the  
20 largest corporations in the United States and elsewhere. KPMG also provided tax services to  
21 corporate and individual clients, some of whom were very wealthy. These tax services included,  
22 but were not limited to, preparing federal and state tax returns, providing tax planning and tax  
23 advice, and representing clients, for example, in Internal Revenue Service ("IRS") and Franchise  
24 Tax Board ("FTB") audits, and in Tax Court litigation with the IRS.

25 <sup>6</sup> The portion of KPMG's tax practice that specialized in providing tax advice to  
26 individuals, including wealthy individuals, was known as Personal Financial Planning, or "PFP."  
27 The KPMG group focused on designing, marketing, and implementing tax shelters for individual  
28 clients was known at different times as CaTS ("Capital Transaction Strategies"), and IS  
29 ("Innovative Strategies").

30 <sup>7</sup> KPMG personnel also formed alliances, operating agreements, and/or joint ventures with  
31 outside persons, including former partners, employees, and others. KPMG also worked with law  
32 firms/lawyers and with banks and insurance companies in implementing the tax shelter  
33 transactions, including SC2 and SOS transactions. Significant activity and coordination regarding  
34 the design and implementation of the tax shelters took place by California licensees or on behalf  
35 of California taxpayers.

36 <sup>8</sup> KPMG LLP ("KPMG") was, at all times relevant, licensed by the Board and operating  
37 several offices in California. KPMG was engaged in providing tax services to corporate and  
38 individual clients and providing audit services to corporate, governmental and other clients. The  
39 Board's related action against KPMG, Accusation No. AC-2006-28, was resolved effective  
40 January 18, 2008. It is further referenced in paragraph 13.

1 “through the conduct of certain KPMG tax leaders, partners, and employees, during  
2 the period from 1996 through 2002, KPMG assisted high net worth individuals to  
3 evade individual income taxes on billions of dollars by developing, promoting, and  
4 implementing unregistered and fraudulent tax shelters. A number of KPMG tax  
5 partners engaged in conduct that was unlawful and fraudulent...” (Accusation,  
6 Paragraph 57, quoting DPA.)<sup>9</sup>

7 A copy of the DPA agreement and Statement of Facts is attached as Exhibit A and is  
8 herein incorporated by reference.

9 14. Respondent was a tax partner at KPMG between 1999 and 2002, the period relevant  
10 herein. He participated in the above-described scheme, consisting of:

- 11 A. devising, marketing, and implementing fraudulent tax shelters;  
12 B. preparing and causing to be prepared, and filing and causing to be filed tax  
13 returns with the IRS that contained the fraudulent tax shelter losses; and  
14 C. fraudulently concealing those shelters from the IRS.

#### 15 **SC2 and SOS TAX SHELTERS**

16 15. The fraudulent tax shelter transactions which are the subject matter of this Accusation  
17 are SC2 (“Corporation Charitable Contribution Strategy”) and SOS (“Short Option Strategy”).<sup>10</sup>

18 16. Respondent was highly involved in the creation and/or approval of the SC2<sup>11</sup>  
19 transaction, was the engagement partner involved in at least 18 SC2 transactions, signed at least  
20 12 SC2 opinion letters and performed his own SOS transaction.

21 17. The law in effect from at least in or about August 1997 provided that if a taxpayer  
22 claimed a tax benefit that was later disallowed, the IRS could impose substantial penalties,  
23 ranging from 20%-40% of the underpayment of tax attributable to the shelter, unless the tax

24 <sup>9</sup> See paragraphs 50-55 of Accusation AC-2006-28 and attachment, and paragraphs 9-11  
25 of Stipulation AC-2006-28 for detail.

26 <sup>10</sup> During the relevant time period, KPMG personnel, some of its clients, and others  
27 involved in these tax shelter transactions prepared, signed and filed tax returns that falsely and  
28 fraudulently claimed many billions of dollars in phony tax losses generated by a variety of  
transactions, including SC2 and SOS. A significant proportion of the taxpayers who filed tax  
returns with KPMG’s assistance using these shelters, including SC2 and SOS tax shelters were  
California taxpayers. Approximately 29% of the transactions were in California and  
approximately 38% of KPMG’s fees originated in California.

<sup>11</sup> SC2 was directed at individuals who own profitable corporations organized under  
Chapter S of the tax code (“S corporations”), which means that the corporation’s income is  
attributable directly to the corporate owners and taxable as personal income.

benefit was supported by an independent opinion relied on by the taxpayer in good faith that the tax benefit was "more likely than not" to survive IRS challenge.

### SC2 TAX SHELTER

18. SC2 was intended to generate a tax deductible charitable donation for a corporate owner of an S Corporation and, more importantly, to defer and reduce taxation of a substantial portion of income produced by the S corporation, essentially by "allocating" but not actually distributing that income to a tax exempt charity holding the corporation's stock.

19. SC2 required a series of complex, orchestrated transactions to obtain the promised tax benefits. Among other measures, these transactions involved the issuance of non-voting stock and warrants, a corporate non-distribution resolution, and a stock redemption agreement; a temporary donation of the non-voting stock to charity; and various steps to "allocate" but not distribute corporate income to the tax exempt charity.

20. The IRS listed SC2 as a potentially abusive tax shelter.

21. Respondent was highly involved in the SC2 transactions. He was the lead tax professional who shepherded SC2 through the development and approval process all the time knowing that it had significant technical flaws and was a potentially illegal tax shelter. Even when some senior KPMG tax professionals expressed forceful objections to SC2, Respondent urged its approval. SC2 was eventually approved for sale and made its way to market.

22. As KPMG's National Deployment Champion, Respondent led the marketing effort for SC2. National Deployment Champions' primary task was to educate KPMG tax professionals about the product and motivate them to sell it. KPMG devoted extensive resources to support and encourage marketing efforts, including maintaining a national marketing office, a tax services marketing center, a cold call center, and powerful software systems.

23. KPMG tax professionals' sales tactics regarding SC2 were hardly the work of disinterested tax advisers. These professionals employed such hard-sell tactics as making misleading statements to their clients – claims that SC2 will be sold only to a limited number of people or that it is no longer being sold – in order to "elicit an immediate response from the

1 client.” KPMG tax professionals were intent on convincing an uninterested or hesitant client to  
2 buy a product that the client would be otherwise unlikely to purchase or use.

3 24. KPMG and its tax personnel and associates marketed and caused to be marketed, and  
4 implemented and caused to be implemented the SC2 transactions, and generated and caused to be  
5 generated false and fraudulent documentation to support the SC2 transactions. This activity  
6 included, but was not limited to, generating KPMG opinion letters (and opinion letters by law  
7 firm(s)) that claimed that the purported tax losses generated by the shelters were more likely than  
8 not to withstand challenge by the IRS. All of these opinion letters were almost identical. In  
9 addition to opinion letters, KPMG advised clients of the existence of insurance policies, that for a  
10 “small premium” could guarantee SC2’s promised “tax benefits.”

11 25. The SC2 opinion letters falsely stated that the client would distribute stock certificates  
12 to a tax-exempt charitable organization and the client would not be taxed on the distribution. The  
13 letters also falsely and elaborately describe a redemption process designed to evade tax  
14 consequences on the stock donor, by setting up a transaction intended to conceal a failure of  
15 actual and genuine ownership transfer. SC2 transactions did not truly ever pass ownership of the  
16 stock to the charity; they acted merely as an assignment of income for a specified period of time  
17 to the charitable organization.

18 26. The opinion letters and other documents were misleading in that they were drafted to  
19 create the false impression that KPMG, its tax personnel, and others associated with the tax  
20 shelter scheme were all independent service providers and advisors, when in truth and in fact  
21 KPMG personnel and associates jointly developed and marketed the SC2 shelter. Key KPMG tax  
22 professionals, including Respondent, involved with SC2 viewed the strategy as a way to defer and  
23 reduce taxes on substantial corporate income that was always intended to be returned to the  
24 control of the stock donor.

25 27. At various points during the development of SC2, KPMG tax personnel identified  
26 various significant technical defects and risks of SC2, including the ways in which the IRS might  
27 successfully challenge the products legal validity, problems with identifying a business purpose to  
28 explain the structure of the transaction, problems with establishing the charity’s “beneficial

ownership” of the donated stock, since the stock was provided on the understanding that the charity would sell the stock back to the donor within a specified period of time, and problems involving assignment of income, reliance on tax indifferent parties, and valuation issues. Nevertheless, in or about 2000, the marketing of SC2 by the firm was approved. Likewise, the risks of proceeding with implementation of SC2 in 2000 were discussed. And despite the obviously fraudulent nature of SC2 and the warnings conveyed, KPMG tax personnel, including Respondent, decided to proceed with the issuance of the opinion letters on all of the transactions with the intent that SC2 clients would claim the bogus SC2 “distributions” as charitable contributions on tax returns and later “redeem” the stock certificates with no tax liability. KPMG tax professionals’ implementation efforts on SC2 continued long past the sale of the tax product to a client.

#### SOS TAX SHELTER

28. SOS<sup>12</sup> opinion letters, and other associated documents, were false and fraudulent in a number of ways well known to KPMG and its associates, including the following:

a. They falsely and misleadingly described SOS as an investment, when in truth and in fact, it was a tax shelter designed and marketed to generate tax losses in order to eliminate income taxes for wealthy clients and garner substantial fees and income for KPMG and others.

b. They falsely claimed that the client would have entered into the option positions independent of the other steps that made up SOS, when in truth and in fact, the clients would not have entered into those positions absent the anticipated tax losses to be generated.

c. They falsely claimed that the option positions were contributed to a partnership or other entity to “diversify” the client’s “investment” when in truth and in fact, the contribution

---

<sup>12</sup>The SOS shelters were referred to by various names, including Short Option Strategy, Spread Option Strategy, Split Option Strategy, SOS, Binary Option, Digital Option, Gain Mitigator, Loss Generator, COINS, BEST, and FX Transaction (hereinafter “SOS”). The SOS shelters generated at least \$1.9 billion in phony tax losses. KPMG’s gross fees from SOS transactions were at least \$17 million. SOS was marketed and sold from at least in or about 1998 through at least in or about 2002 to at least 165 wealthy individuals.

1 was simply a necessary step in the tax shelter, was executed for the purpose of generating the tax  
2 loss, and was not executed to "diversify" any "investment."

3 d. They falsely claimed that the offsetting option positions were entered into for  
4 "substantial non-tax business reasons," and were contributed to the partnership or other entity for  
5 "substantial non-tax business reasons," when in truth and in fact, the transactions were  
6 undertaken in order to generate the phony tax losses SOS purported to generate and not for any  
7 "substantial non-tax business reason."

8 29. Respondent performed his own SOS transaction.

### 9 **FRAUDULENT CONCEALMENT OF TAX SHELTERS**

10 30. In addition to preparing, causing to be prepared, and approving the false and  
11 fraudulent documentation relating to and implementing the shelter transactions, Respondent  
12 participated in steps taken to fraudulently conceal from the IRS the fraudulent tax shelters, and/or  
13 knew or should have known that the steps would have the effect of concealing the shelters from  
14 the IRS. The steps taken included, but were not limited to, the following:

15 (1) not registering the tax shelters with the IRS as required by law<sup>13</sup>;

16 (2) preparing and causing to be prepared tax returns that fraudulently concealed the  
17 phony losses from the IRS;

18 (3) attempting to conceal from the IRS the tax shelter losses and transactions with  
19 sham attorney-client privilege claims.

### 20 **FAILING TO REGISTER TAX SHELTERS**

21 31. Under the law in effect at all times relevant to this Accusation, an organizer of a tax  
22 shelter was required to "register" the shelter by filing a form with the IRS describing the

23  
24 <sup>13</sup> Under the law in effect at all times relevant to this Accusation, an organizer of a tax  
25 shelter was required to "register" the shelter by filing a form with the IRS describing the  
26 transaction. The IRS in turn would issue a number to the shelter, and all individuals or entities  
27 claiming a benefit from the shelter were required to include with their income tax returns a form  
28 disclosing that they had participated in a registered tax shelter, and disclosing the assigned  
registration number. Notwithstanding these legal requirements, KPMG and its personnel, and  
others, caused the entities with which they were associated not to register as required any of the  
tax shelters they devised, marketed and implemented, and thereby ensured that registration  
numbers would not be included on returns relating to unregistered shelters.



1 transaction. The IRS in turn would issue a number to the shelter, and all individuals or entities  
2 claiming a benefit from the shelter were required to include with their income tax returns a form  
3 disclosing that they had participated in a registered tax shelter, and disclosing the assigned  
4 registration number. Notwithstanding these legal requirements, KPMG's tax personnel decided  
5 not to register the tax shelters based on a "business decision" that to register the shelters would  
6 hamper KPMG's ability to sell them. Respondent knew or should have known of the requirement  
7 to register the shelters.

8 **FIRST CAUSE FOR DISCIPLINE**  
9 **Fraud in the Practice of Public Accountancy**  
10 **[Business and Professions Code § 5100(c)]**

11 32. The matters alleged in paragraphs 11 through 31 are re-alleged as though fully set  
12 forth.

13 33. Respondent's license is therefore subject to disciplinary action based on his direct  
14 involvement and acquiescence in:

- 15 A. The decision of KPMG not to register the tax shelters as required;  
16 B. The preparation and approval of false or fraudulent documentation supporting  
17 the implementation of the tax shelters; and/or  
18 C. Respondent's explicit and required approval of KPMG's marketing and  
19 implementation of the tax shelters including, but not limited to, Respondent's signing of, and his  
20 approval of allowing KPMG's personnel to sign, the tax opinions and tax returns containing the  
21 fraudulent tax shelters.

22 34. Incorporating by reference the matters alleged in paragraphs 11-31, cause for  
23 discipline of Respondent's license for fraud in the practice of public accountancy is established  
24 under Code Section 5100(c).

25 **SECOND CAUSE FOR DISCIPLINE**  
26 **Dishonesty in the Practice of Public Accountancy**  
27 **[Business and Professions Code § 5100(c)]**

28 35. Complainant realleges paragraphs 11 through 31 above. Incorporating those matters  
by reference, cause for discipline of Respondent's license for dishonesty in the practice of public

1 accountancy is established under Code Section 5100(c) based upon his dishonest acts, and  
2 omissions in the course of his participation, as described above, in SC2 and SOS tax shelters.

3 **THIRD CAUSE FOR DISCIPLINE**  
4 **Gross Negligence in the Performance of Public Accountancy**  
5 **[Business and Professions Code § 5100(c)]**

6 36. Complainant realleges paragraphs 11 through 31 above. Incorporating those matters  
7 by reference, cause for discipline of Respondent's license for gross negligence in the practice of  
8 public accountancy is established under Code Section 5100(c) based upon his conduct, which  
9 constituted extreme departures from applicable professional standards.

10 **FOURTH CAUSE FOR DISCIPLINE**  
11 **Failure to Observe Professional Standards in Performance of Public Accountancy**  
12 **[Board Rule 58/ Business and Professions Code § 5100(g)]**

13 37. Complainant realleges paragraphs 11 through 31. Incorporating those matters by  
14 reference, cause for discipline of Respondent's license is established in that his failure to comply  
15 with professional standards applicable to public accountancy constitutes the willful violation of  
16 Board Rule 58, providing cause for discipline of his license under Code Section 5100(g).

17 **FIFTH CAUSE FOR DISCIPLINE**  
18 **Conspiracy with Unlicensed Person to Violate Accountancy Act**  
19 **[Business and Professions Code §§ 125, 5100]**

20 38. Complainant realleges paragraphs 11 through 31. Incorporating those matters by  
21 reference, cause for discipline of Respondent's license is established in that he conspired with  
22 unlicensed persons, including lawyers, insurance companies and others, to devise, market, and/or  
23 implement the fraudulent tax shelters, in violation of Code section 125. The conduct of  
24 Respondent, as alleged, constitutes general unprofessional conduct under Code section 5100.

25 **SIXTH CAUSE FOR DISCIPLINE**  
26 **Repeated Negligent Acts in the Performance of Public Accountancy**  
27 **[Business and Professions Code § 5100(c)]**

28 39. Complainant realleges paragraphs 11 through 31 above. Incorporating those matters  
by reference, cause for discipline of Respondent's license for repeated negligent acts in the  
performance of public accountancy is established under Code Section 5100(c) based upon his  
conduct, which constituted repeated departures from applicable professional standard.

**SEVENTH CAUSE FOR DISCIPLINE**  
**Breach of Fiduciary Responsibility in the Performance of Public Accountancy**  
**[Business and Professions Code § 5100(i)]**

40. Complainant realleges paragraphs 11 through 31 above. Incorporating those matters by reference, cause for discipline of Respondent's license for breach of fiduciary responsibility in the performance of public accountancy is established under Code Section 5100(i).

**EIGHTH CAUSE FOR DISCIPLINE**  
**Knowing Preparation, Publication, or Dissemination of False, Fraudulent or**  
**Materially Misleading Financial Statements, Reports, or Information**  
**[Business and Professions Code § 5100(j)]**

41. Complainant realleges paragraphs 11 through 31 above. Incorporating those matters by reference, cause for discipline of Respondent's license for knowing preparation, publication, or dissemination of false, fraudulent, or materially misleading financial statements, reports, or information is established under Code Section 5100(j).

**NINTH CAUSE FOR DISCIPLINE**  
**Obtaining Valuable Consideration by False Pretenses**  
**[Business and Professions Code § 5100(k)]**

42. Complainant realleges paragraphs 11 through 31 above. Incorporating those matters by reference, cause for discipline of Respondent's license for obtaining valuable consideration by false pretenses is established under Code Section 5100(k).

**TENTH CAUSE FOR DISCIPLINE**  
**Violation of Professional Standards**  
**[Board Rule 58/ Business and Professions Code § 5100(g)]**

43. Complainant realleges paragraphs 11 through 31 above. Incorporating those matters by reference, cause for discipline of Respondent's license for violation of professional standards is established under Board Rule 58 and Code Section 5100(g) based upon his conduct, including approving and causing to be signed, engagement and opinion letters for clients without independently, diligently or accurately evaluating the specific needs and concerns of the clients, which constitutes willful violation of Board Rule 58, providing cause for discipline of his license under Code section 5100(g).

**ELEVENTH CAUSE FOR DISCIPLINE**  
**Filing False Income Tax Return**  
**Fiscal Dishonesty [Bus. and Prof. Code Section 5100(i)]**  
**and**  
**Knowing Preparation and Dissemination**  
**of False and Fraudulent Financial Information**  
**[Bus. and Prof. Code Section 5100(j)]**

44. Complainant realleges paragraphs 11 through 31, above, and incorporates them herein by reference as if fully set forth at this point. Additional circumstances follow.

45. From 2000 through 2004, Respondent used SOS tax shelter losses to evade the payment of income taxes due and owing on income he earned from KPMG as a partner and from his tax shelter activities with a law firm.

46. Respondent's conduct as set forth in paragraphs 10 through 31 and 45 above, constitutes fiscal dishonesty, which is unprofessional conduct within the meaning of Code section 5100(i).

///

///

///

1  
2  
3 **PRAYER**

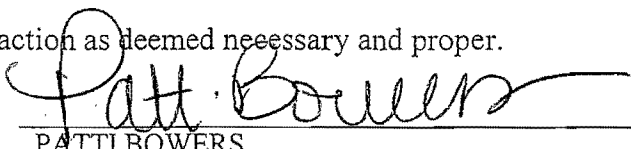
4 WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged,  
5 and that following the hearing, the California Board of Accountancy issue a decision:

6 1 Revoking or suspending or otherwise imposing discipline upon Certified Public  
7 Accountant Certificate Number CPA 58503, issued to Larry Edward Manth.

8 2 Ordering Larry Edward Manth to pay the California Board of Accountancy the  
9 reasonable costs of the investigation and enforcement of this case, pursuant to Business and  
10 Professions Code section 5107;

11 3 Taking such other and further action as deemed necessary and proper.

12 DATED: February 9, 2010

  
PATTI BOWERS  
Executive Officer  
California Board of Accountancy  
Department of Consumer Affairs  
State of California  
Complainant

13  
14  
15  
16 SF2009405498  
17 90134020.doc  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28